

Message Text

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ACTION EB-08

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FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 3346
INFO AMEMBASSY BRUSSELS
AMEMBASSY ATHENS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TEL AVIV PRIORITY

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FROM RCAA DWOR

DEPARTMENT PASS COMMERCE FOR BED/OBOD AND CAGNE: EXIMBANK:
FAA FOR CARMICHAEL: BRUSSELS FOR FAA CARY AND PACE: ATHENS
FOR RTDO

E.O. 11652: NA
TAGS: EAIR, BEXP, IS
SUBJECT: ARKIA ISRAEL INLAND AIRLINES PRESENT STATUS AND
LINES OF DEVELOPMENT

1. RCAA AND EMBASSY COMMERCIAL ATTACHE RUEDA PAID VISIT MAY 24
TO ARKIA'S TEL AVIV HEADQUARTERS WITH CALLS ON MANAGING DIRECTOR
ISRAEL ROTH, COMMERCIAL DIRECTOR FELIX BRACHA, AND TECHNICAL
DIRECTOR YEHUDA NEWFELD TO ASCERTAIN AIRLINE'S FUTURE PLANNING
AND PRESENT STATUS. AIRLINE, IN OPERATION SINCE 1950, JOINTLY OWNED
BY EL AL AND HISTADRUT (GENERAL FEDERATION OF LABOR). IT'S
SEVEN AIRCRAFT ARE DEPLOYED PRIMARILY ON DOMESTIC SECTORS
(PARTICULARLY TEL AVIV-ELATH) BUT ARE ALSO UTILIZED AS OP-
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RATIONAL BACK-UP TO EL AL'S BOEING 720-058B FLEET ON SHORTER
REGIONAL INTERNATIONAL ROUTES AND ON WETLEASE TO EL AL ON
SCHEDULED TURNAROUND SERVICES TEL AVIV-RHODES.

2. AIRLINE'S PRESENT FINANCIAL/OPERATING POSTURE AND THE MORALE OF
ITS STAFF GREATLY HAMPERED BY TWO FACTORS: A) REDUCED
UTILIZATION OF ARKIA FACILITIES AND EQUIPMENT BY XX ISRAELI

ARMED FORCES, DUE GREATLY ENLARGED AIRLIFT CAPABILITY (ARAVAS, C-130'S, AND RECONDITIONED BOEING 707'S) OF ISRAELI AIR FORCE:
B) APPARENT INADEQUATE SUPPORT BY 50 PERCENT OWNER EL AL OF ARKIA'S PLANNED DEVELOPMENT AND EXPANSION. ARKIA'S HOPES AND ASPIRATIONS APPEAR HEAVILY DEPENDENT UPON FORTHCOMING RECOMMENDATIONS OF TEOKOWSKY COMMITTEE, APPOINTED BY MINISTER OF TRANSPORT TO EXAMINE ISRAEL'S CIVIL AVIATION SECTOR AND ASCERTAIN RESPECTIVE AIR TRANSPORT ROLES OF EL AL, CAL (CARGO AIR LINES), AND ARKIA. ARKIA'S STAFF IS HOPEFUL COMMITTEE REPORT (ANTICIPATED JUNE 15) WILL REALLOCATE EL AL'S SHORTER REGIONAL INTERNATIONAL ROUTES TO ARKIA, WHICH WOULD TRIGGER REQUIREMENT 1980-1984 FOR PROBABLE FOUR SHORT/MEDIUM-RANGE TWINJETS IN CATEGORY BOEING ADVANCED 737-200 OR MCDONNELL DOUGLAS DC-9 (DC-9-30, DC-9-50, DC-9 SUPER 80). IF TOLKOWSKY REPORT IS RESPONSIVE TO ARKIA'S REGIONAL INTERNATIONAL ASPIRATIONS, WE RECOMMEND PROMPT MARKETING ATTENTION TO AIRLINE BY US COMMERCIAL AIRCRAFT MANUFACTURERS TO COUNTER ANTICIPATED INTENSIVE MARKETING EFFORTS BY BRITISH AEROSPACE AND FOKKER-VFW.

3. AIRLINE PRESENTLY OPERATES SEVEN-AIRCRAFT FLEET CONSISTING OF TWO 114 SEAT BAC 111-500' (DELIVERED MARCH 1977 AND MAY 1978) AND FIVE 84-SEAT BAC VISCOUNT 800'S (DELIVERED JANUARY 1970 TO AUGMENT DART HERALD FLEET), ROSTERED BY SIX BAC 111-500 TWO-MAN FLIGHT CREWS AND FIFTEEN VISCOUNT 800 TWO-MAN FLIGHT CREWS. TWO DART HEARLS AND ONE VISCOUNT 800 RETIRED AND LIMITED OFFICIAL USE

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SOLD TO U.K. BROKER MARCH 1978. PRIOR TO ACQUISITION BAC 111-500'S, AIRLINE ALSO EVALUATED MCDONNELL DOUGLAS DC-9-30 AND BOEING ADVANCED 737-200. LEV BEGIN, ANAGING DIRECTOR AT THAT POINT IN TIME (SPRING 1976). STIPULATED THAT USED AIRCRAFT WERE TO BE ACQUIRED DUE FINANCING CONSTATINTS AND REQUIREMENTS FOR VERY EARLY DELIVERY. THE TWO BAC 111-000'S WERE ACQUIRED DIRECTLY FROM BRITISH AIRCRAFT CORPORATION (NOW BRITISH AEROSPACE) BUT WERE RECONDITIONED AIRCRAFT FORMERLY IN THE FLEET OF TRANSBRASIL S/A. BOTH AIRCRAFT ARE FITTED WITH NEW LIGHTWEIGH SEATS AND ENCLOSED OVERHEAD STOWAGE REACKS.

4. FLEET DEPLOYMENT SPRING 1978.

A. BAC 111-500 (FIRST AIRCRAFT)
AD-HOC DEPLOYMENT WHEN PASSENGER LOADS EXCEED CAPABILITY OF VISCOUNT ON TURNAROUND SERVICES TEL AVIV-ELATH, TEL AVIV PHIRA (SHARM EL SHEIKH), WETLEASE ON EL AL SCHEDULED ROUNDTRIP SERVICES
TEL AVIV-RODES (INCREASE TO THREE WEEKLY JUNE 21); AND
AD HOC WETLEASE SERVICES TWICE WEEKLY ON EL AL REGIONAL ROUTES (E.E. ESTANBUL, LARNACA AND EL AL CHARTERS WEST GERMANY-ITALY WHEN PASSENGER LOADS DO NOT JUSTIFY CAPACITY OF 720-058

B. AVERAGE DAILY BLOCK-TO-BLOCK UTILIZATION 5.5 HOURS. WITH ENTRY INTO SERVICE OF SECOND TWINJET JUNE 1, THE TWO BAC 111-500'S ARE PRESENTLY DEPLOYED ON BAC 111- DESIGNATED SCHEDULED SERVICES TEL AVIV-ELATH, IN ADDITION TO CONTINUED AD-HOC DEPLOYMENT, WHEN REQUIRED, AS VISCOUNT 800

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AND EL AL 720-058B SUBSTITUTES AND ON REGUALRLY SCHEDULED TEL AVIV-RHODES SERVICES ON BEHALF OF EL AL.
B. BAC VISCOUNT 800 (VIVE AIRCRAFT) AND BN-1A ISLANDER (TEN AIRCRAFT).
PRECISE SCHEDULE PATTERN COVERING DEPLOYMENT VISCOUNTS AND THIRD-LEVEL SUBSIDIARY KANAF ARKIA AIRWAYS TEN TEN-SEAT BN-2A ISLANDERS DIFFICULT TO ASCERTAIN FROM EITHER AIRLINE OR PUBLISHED TIMETABLES. HOWEVER, PRIME VISCOUNT DEPLOYMENT IS ON APPROXIMATELY FORTY ROUNDTRIP SCHEDULES WEEKLY TEL AVIV-ELATH. VISCOUNTS AND/OR ISLANDERS ARE DEPLOYED ON FOLLOWING ROUTE SEGMENTS: TEL AVIV-ELATH, TEL AVIV-OPHIRA (SHARM EL SHEIKH), TEL AVIV-SODOM, TEL AVIV-MITSPEH RAMON, TEL-AVIV-ROSH PINA, TEL AVIV-HAIFA, TEL AVIIV-JERUSALEM, TEL AVIV-EIN YAHER ELATH-BEERSHEBA, ELATH-MOUNT SINAI, ELATH-OPHIRA, HAIFA-JERUSALEM, ELATH-JERUSALEM, ELATH-HAIFA-JERUSALEM, HAIFA-BEERSHEBA, HAIFA-SODOM, JERUSALEM-PHIRA, JERUSALEM-ROSH PINA, MOUNT SINAI-OPHIRA.

5. FINANCIAL AND TRAFFIC RESULTS:

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AIRLINE ANTICIPATES FINANCIAL LOSS 17 MILLION ISRAELI POUNDS (1 MILLION US) FOR FINANCIAL YEAR ENDING MARCH 31, 1979. ARKIA CARRIES APPROXIMATELY 900,000 PASSENGERS PER YEAR, MOSTLY ON HIGH-DENSITY TEL AVIV-ELATH SECTOR. AIRLINE'S CLIENTELE, WHICH IS HEAVILY TOURIST (AND MILITARY PERSONNEL), PEAKS IN WINTER AND DECLINES IN SUMMER, MOST PARTICULARLY ON SERVICES TO AND FROM ELATH. TO SMOOTH OUT SEASONAL PEAKS AND VALLEYS IN TRAFFIC DEMAND, AIRLINE HEAVILY PROMOTING LOW-YIELD PROMOTIONAL FARES (E.E. TEL AVIV-ELATH THREE-DAY ALL-INCLUSIVE TOUR, INCLUDING CAR RENTAL CONCESSION, 72) THIS SPRING AND SUMMER. FINANCIAL FUTURE OF ARKIA REASTS ON RECOMMENDATIONS OF TOLKOWSKY COMMITTEE (AND ACCOMPANYING GOI IMPLEMENTATION) PERMITTING REGIONAL INTERNATIONAL SERVICES: INCREASED CONTRACT AIRLIFT FROM ISRAELI ARMED FORCES; AND CONTINUINGLY INCREASING TOURISM TO ISRAEL. GARDNER HOLMES

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